

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.E

Mtg. Date May 2, 2017

Dept. Development Services Department

Item Title: Resolution Approving Limitations on the Two-Year EDCO Corporation Rate Schedule

Staff Contact: Malik Tamimi, Management Analyst
David De Vries, Development Services Director

Recommendation:

Adopt a resolution (**Attachment B**) approving a maximum two-year EDCO rate limitation.

Item Summary:

EDCO provides solid waste disposal services for City residents under a franchise granted by the City Council. Staff presents a resolution for City Council consideration that limits the maximum rate that can be charged for Fiscal Years 2017-18 and 2018-19 by the franchise holder. The staff report (**Attachment A**) provides an analysis regarding the proposed resolution and fee limitation amendment.

Fiscal Impact:

Nominal increase in revenue from EDCO franchise fees.

Environmental Review:

☒ Not subject to review

☐ Negative Declaration

☐ Categorical Exemption, Section

☐ Mitigated Negative Declaration

Public Information:

☒ None

☐ Newsletter article

☐ Notice to property owners within 300 ft.

☐ Notice published in local newspaper

☐ Neighborhood meeting

Attachments:

A. Staff Report

B. Resolution

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 1.E

Mtg. Date May 2, 2017

Item Title: **Resolution Approving Limitations on the Two-Year EDCO Corporation Rate Schedule**

Staff Contact: Malik Tamimi, Management Analyst
David De Vries, Development Services Director

Discussion:

EDCO, a local company headquartered in Lemon Grove, is a regional company with solid waste operations throughout Southern California. EDCO provides solid waste disposal services for City residents under a franchise granted by the City Council. EDCO has been operating under the same City Council-approved rate ceiling since 2015. The purpose of this agenda item is to present a resolution that approves a new two-year EDCO Rate Ceiling for Fiscal Years 2017-18 and 2018-19.

Earlier this year, staff met with EDCO staff regarding a request to increase the maximum waste collection and recycling rates from July 1, 2017 through June 30, 2019. In summary, EDCO requests that the basic residential service rate increases from \$21.10 to \$21.80 per month and basic commercial service rate increases from \$106.28 to \$111.36 per month. The following table identifies the proposed EDCO rates for the next two years for all EDCO services:

Service	Current Rate	Proposed Rate	Actual Increase	Percent Increase
Basic Residential Service (recycling, green waste, & refuse)	\$21.10	\$21.80	\$0.70	3.3%
Additional Cart Service	\$3.14	\$3.14	0.00	0.0%
Senior Residential Service (seniors 62+ with income under \$17,196)	\$16.88	\$17.44	\$0.56	3.3%
Silver Bag Service (seniors 62+)	\$3.33	\$3.44	\$0.11	3.3%
3-yard bin once per week	\$106.28	\$111.36	\$5.08	4.8%
3-yard bin twice per week	\$179.44	\$188.02	\$8.58	4.8%
3-yard bin three times per week	\$252.62	\$264.70	\$12.08	4.8%
3-yard bin four times per week	\$325.77	\$341.35	\$15.58	4.8%
3-yard bin five times per week	\$398.95	\$418.02	\$19.07	4.8%
3-yard bin six times per week	\$472.10	\$494.67	\$22.57	4.8%

Since 2009, the City and EDCO have utilized a two-year rate structure. This model continues to help even out expenses for residential and commercial customers. The current rate schedule, established by resolution, sunsets on June 30, 2017.

The City Council, having granted EDCO its exclusive franchise, can place limitations on EDCO's rates so that the public is charged a competitive rate. The Resolution establishes the maximum rate that EDCO can charge during the two fiscal years. EDCO has the right to charge up to the maximum rate, but cannot exceed that rate. Under its franchise, EDCO has the right to set rates within the limits set out by the City Council.

Attachment A

Various cost factors have impacted the solid waste industry, including EDCO. These costs include landfill tipping fees, cost of fuel and labor, and the loss in offsetting revenue from the sale of recycled materials. EDCO requests that the City Council raise the ceiling placed on its solid waste rates. However because the City has granted a franchise to EDCO to collect solid waste, recycled goods and other green waste within the City of Lemon Grove, the City Council has the right to set the maximum rate that the private contractor can charge for its services.

The proposed rate schedule reflects both the increase in service costs, as well as the anticipated revenue from recyclable materials diverted through the City's AB 939 programs. That revenue absorbs a portion of the cost increases, keeping fees lower than they would be without the resale of the recycled materials. In addition to collection service costs, the fees also include tipping fees, AB 939 fees, and the franchise fee.

Conclusion:

Staff recommends that the City Council adopt the resolution (**Attachment B**) approving the two-year Rate Limitation for Fiscal Years 2017-18 and 2018-19.

RESOLUTION NO. 2017-_____**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA
AUTHORIZING AN AMENDMENT TO THE FRANCHISE AGREEMENT WITH EDCO
CORPORATION TO GRANT AN AMENDED MAXIMUM RATE LIMITATION**

WHEREAS, on May 5, 2015, the City Council adopted Resolution No. 2015-3329, a Resolution of the Lemon Grove City Council Approving a Two-Year Service Rate Schedule for EDCO Disposal to Provide Residential and Commercial Waste Collection and Recycling Services; and

WHEREAS, EDCO Corporation is the City of Lemon Grove's franchisee for solid waste collection; and

WHEREAS, a franchise agreement exists between the City of Lemon Grove (City) and EDCO Disposal for providing waste collection and recycling services; and

WHEREAS, under the franchise agreement, the City Council has the right to set the maximum rate that EDCO may charge for its services; and

WHEREAS, EDCO has been operating under the same City Council-approved rate ceiling since 2015; and

WHEREAS, EDCO has provided the City with a proposed service rate schedule for the upcoming two fiscal years.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California hereby:

1. Foregoing recitals are true and correct; and
2. Establishes a maximum two-year Rate Schedule for Fiscal Years 2017-18 and 2018-19:

Residential and Commercial Waste Collection and Recycling Services	Maximum Monthly Rates 7/01/2016-6/30/2019
Basic Residential Cart Service (One each – recycling, green waste, & refuse)	\$21.80
Additional Cart Service	\$3.14
Senior Rate Residential Cart Service (For seniors 62+ with income under \$17,196)	\$17.44
Silver Bag Service (For seniors 62+)	\$3.44
3-yard bin once per week	\$111.36
3-yard bin twice per week	\$188.02
3-yard bin three times per week	\$264.70
3-yard bin four times per week	\$341.35
3-yard bin five times per week	\$418.02
3-yard bin six times per week	\$494.67

3. Repeals any previously adopted resolutions in conflict with the terms of this resolution.

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